

COFFEY COUNTY AIRPORT AUTHORITY

Burlington, Kansas

Financial Statements
and
Supplemental Information

with Report of Independent Auditors

For the Year Ended December 31, 2010

Coffey County Airport Authority
Special Financial Statements
For the Year Ending December 31, 2010

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INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Coffey County Airport Authority
Burlington, Kansas

We have audited the accompanying financial statements of Coffey County Airport Authority, Burlington, Kansas, as of and for the year ended December 31, 2010, as listed in the table of contents. These financial statements are the responsibility of Coffey County Airport Authority, Burlington, Kansas, management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *Kansas Municipal Audit Guide*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, Coffey County Airport Authority, Burlington, Kansas, prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the cash basis and budget laws of the State of Kansas, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The differences between this regulatory basis of accounting and accounting principles generally accepted in the United States of America are also described in Note 1.

In our opinion, because of the airport's policy to prepare its financial statements on the basis of accounting discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of Coffey County Airport Authority, Burlington, Kansas as of December 31, 2010, or changes in financial position for the year then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the cash and unencumbered cash balances of Coffey County Airport Authority, Burlington, Kansas, as of December 31, 2010, and the revenues it received and expenditures it paid for the year then ended, on the basis of accounting described in Note 1.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Coffey County Airport Authority, Burlington, Kansas statutory basis financial statements. The information identified in the table of contents as supplementary information is presented for purposes of additional analysis and is not a required part of the statutory basis financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the statutory basis financial statements of Coffey County Airport Authority, Burlington, Kansas. This supplemental information has been subjected to the auditing procedures applied in the audit of the statutory basis financial statements, and, in our opinion, is fairly stated, in all material respects in relation to the statutory basis financial statements taken as a whole, on the basis of accounting described in Note 1.

This report is intended solely for the information and use of the governing body and management of Coffey County Airport Authority, Burlington, Kansas, and for filing with the Kansas Department of Administration, Division of Accounts and Reports, the cognizant federal agency, and other federal audit agencies. This restriction is not intended to limit distribution of this report, which is a matter of public record.

Respectfully Submitted,

Schlatterbeck and Burns, L.L.C.

January 6, 2012

Coffey County Airport Authority
Burlington, Kansas
Summary of Cash Receipts, Expenditures, and Unencumbered Cash
For the Year Ended December 31, 2010

Statement 1

Fund	Beginning Unencumbered Cash Balance	Receipts	Expenditures	Ending Unencumbered Cash Balance	Plus: Accounts Payable and Encumbrances	Ending Cash Balance
General Fund	\$ 141,451	940,995	1,732,448	(650,002)	622,252 (1)	(27,750)
Total	<u>141,451</u>	<u>940,995</u>	<u>1,732,448</u>	<u>(650,002)</u>	<u>622,252</u>	<u>(27,750) (2)</u>

Composition of Ending Cash Balance:

Demand Deposits	\$ (29,069)
Cash on Hand	1,319
Total Composition of Cash	<u>(27,750)</u>

Note (1): Encumbrances include \$593,133 unpaid portion of taxi-way construction contract.
Construction work for this portion of the contract was not completed as of December 31, 2010.
Federal financial assistance will pay 95% of this encumbrance.
Federal financial assistance is not available for drawdown until the construction activities are completed.

(2): Construction contract payments were issued during December in the amount of \$198,000.
Federal financial assistance reimbursements due in the amount of \$188,091 were not received until January, 2011.

See accompanying notes to financial statements

Coffey County Airport Authority
 Burlington, Kansas
 Statement of Expenditures - Actual and Budget
For the Year Ended December 31, 2010

Statement 2

Fund	Adopted Budget	Expenditures Chargeable to Current Year	Variance Favorable (Unfavorable)
General Fund	\$ 894,000	1,732,448	(838,448)
Budget Credit - State and Federal Financial Assistance	268,855		268,855
Adjusted Budget Comparison	<u>1,162,855</u>	<u>1,732,448</u>	<u>(569,593)</u>

See accompanying notes to financial statements

Coffey County Airport Authority
Burlington, Kansas
Statement of Cash Receipts and Expenditures-Actual Budget
For the Year Ended December 31, 2010

Statement 3

	<u>Prior Year Actual</u>	<u>Current Year Actual</u>	<u>Current Year Budget</u>	<u>Variance Favorable (Unfavorable)</u>
<u>General Fund</u>				
Cash Receipts:				
County Appropriation	\$ 240,000	240,000	240,000	0
Operations Receipts	315,255	361,090	654,000	(292,910)
Interest Income	325	198		198
Rental Income	31,605	33,185		33,185
Scholarship Reimbursement	8,760	9,385		9,385
County Appropriation - Construction	49,011	28,128		28,128
Miscellaneous	5,306			0
Total Cash Receipts	<u>650,262</u>	<u>671,986</u>	<u>894,000</u>	<u>(222,014)</u>
Expenditures:				
Fuel and Merchandise Payments	217,844	256,515	366,000	109,485
Salaries and Employee Benefits	210,754	201,856	276,000	74,144
Utilities	24,995	25,530		(25,530)
Repairs	21,935	13,979		(13,979)
Insurance	63,479	62,115		(62,115)
Supplies and Other Expenses	30,367	31,735	222,000	190,265
Capital Outlay/ Special Expenditures	18,424	1,137	30,000	28,863
Legal and Accounting	6,792	7,349		(7,349)
Total Operating Expenditures	<u>594,590</u>	<u>600,216</u>	<u>894,000</u>	<u>293,784</u>
Non-Operating Revenue				
Insurance Proceeds	140,190			
State Grants	24,623			
Federal Grants	768,658	268,855		
Total Non-Operating Revenue	<u>933,471</u>	<u>268,855</u>		
Non-Operating Expenditures				
Taxiway Improvement Project	803,840	1,064,555		
Runway Striping Project	30,230			
Building Repair - Storm Damage - Ins. Proceeds	68,448	67,523		
Total Non-Operating Expenditures	<u>902,518.00</u>	<u>1,132,078</u>		
Receipts Over (Under) Expenditures	86,625	(791,453)		
Unencumbered Cash, Beginning	<u>54,826</u>	<u>141,451</u>		
Unencumbered Cash, Ending	<u><u>141,451</u></u>	<u><u>(650,002)</u></u>	(1)	

Note (1): Encumbrances include \$593,133 unpaid portion of taxi-way constuction contract.
Construction work for this portion of the contract was not completed as of December 31, 2010.
Federal financial assistance will pay 95% of this encumbrance.
Federal financial assistance is not available for drawdown until the construction activities are completed.

See accompanying notes to financial statements

Coffey County Airport Authority
Burlington, Kansas
Notes to Financial Statements
For the Fiscal Year Ended December 31, 2010

Note 1 Summary of Significant Accounting Policies

A. Reporting Entity

Coffey County Airport Authority is a municipal corporation governed by an elected five-member board. These financial statements present Coffey County Airport Authority as a primary government unit, with no component units.

B. Fund Accounting

A fund is defined as an independent fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations.

The following types of funds comprise the financial activities of the Airport Authority for the year ending December 31, 2010:

Governmental Funds

General Fund--to account for all unrestricted resources except those required to be accounted for in another fund.

C. Statutory Basis of Accounting

The statutory basis of accounting, as used in the preparation of these statutory basis financial statements, is designed to demonstrate compliance with the cash basis and budget laws of the State of Kansas. Cash receipts are recognized when the cash balance of a fund is increased. For an interfund transaction, a cash receipt is recorded in the fund receiving cash from another fund. Cash disbursements are recognized when the cash balance of a fund is decreased. For an interfund transaction, a cash disbursement is recorded in the fund from which the cash is transferred. Expenditures include disbursements, accounts payable, and encumbrances. Encumbrances are commitments related to unperformed (executory) contracts for goods and services, and are usually evidenced by a purchase order or written contract.

Departure from Generally Accepted Accounting Principles

The basis of accounting described above results in a financial statement presentation which shows cash receipts, cash disbursements, cash and unencumbered cash balances, and expenditures compared to budget. Balance sheets that would have shown non-cash assets such as receivables, inventories and prepaid expenses, liabilities such as deferred revenue and matured principal and interest payable, and reservations of the fund balance are not presented. Under generally accepted accounting principles, encumbrances are only recognized as a reservation of fund balance; encumbrances outstanding at year end do not constitute expenditures or liabilities. Consequently, the expenditures as reported do not present the cost of goods and services received during the fiscal year in accordance with generally accepted accounting principles. In addition, General Fixed Assets that account for the land, buildings and equipment owned by the Airport Authority are not recorded.

Coffey County Airport Authority
Burlington, Kansas
Notes to Financial Statements
For the Fiscal Year Ended December 31, 2010

D. Budget and Tax Cycle:

The Airport Authority is not subject to the Kansas Budget Law, as they are not the primary taxing authority for the Airport Authority. The Coffey County Commissioners hold the taxing authority for the Airport Authority. The Airport Authority adopts an annual budget for the General Fund for managerial purposes. The budget comparison on Statement 2 and 3 reflects this internal managerial budget.

E. Assets, Liabilities, and Fund Equity

Cash

To facilitate better management of the Airport Authority's cash resources, excess cash is combined in pooled operating accounts. Each fund's portion of total cash is based on its equity in the pooled cash amount. Cash in excess of current operating needs is invested on a pooled investment basis and earnings thereon are credited to the general fund as provided by Kansas Statutes.

F. Deposits and Investments

K.S.A. 9-1401 establishes the depositories which may be used by the Airport Authority. The statute requires banks eligible to hold the Airport Authority's funds have a main or branch bank in the county in which the Airport Authority is located and the banks provide an acceptable rate of return on funds. In addition, K.S.A. 9-1402 requires the banks to pledge securities for deposits in excess of FDIC coverage.

K.S.A. 12-1675 allows the Airport Authority to invest idle funds in time deposits-open accounts, and certificates of deposit with allowable financial institutions; U.S. government securities; temporary notes; no-fund warrants; repurchase agreements; and the Kansas Municipal Investment Pool.

The Airport Authority held no investments at December 31, 2010 and held no investments throughout the year.

Concentration of credit risk. State statutes place no limit on the amount the Airport Authority may invest in any one issuer as long as the investments are adequately secured under K.S.A. 9-1402 and 9-1405.

Custodial credit risk – deposits. Custodial credit risk is the risk that in the event of a bank failure, the Airport Authority's deposits may not be returned to it. State statutes require the Airport Authority's deposits in financial institutions to be entirely covered by federal depository insurance or by collateral held under a joint custody receipt issued by a bank within the State of Kansas, the Federal Reserve Bank of Kansas City, or the Federal Home Loan Bank of Topeka, except during designated "peak periods" when required coverage is 50%. The Airport Authority has not designated any peak periods.

Custodial credit risk – investments. For an investment, this is the risk that, in the event of the failure of the issuer or counterparty, the Airport Authority will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State statutes require investments to be adequately secured.

Coffey County Airport Authority
Burlington, Kansas
Notes to Financial Statements
For the Fiscal Year Ended December 31, 2010

At December 31, 2010, the carrying amount of the Airport Authority's deposits was \$(27,750) and the bank balance was \$172,928. Of the bank balance, \$172,928 was covered by federal depository insurance.

Inventories and Prepaid Expenses

Inventories and prepaid expenses which benefit future periods are recorded as an expenditure during the year of purchase as required by state statutes. No physical inventories were taken at year end and no accounting controls exist for control of materials inventory.

Long-Term Debt

Long-term debt is recognized as a liability of a governmental fund when due, or when resources have been accumulated in the debt service fund for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund. Long-term liabilities expected to be financed from proprietary fund operations are accounted for in those funds.

Note 2 Stewardship, Compliance, and Accountability

Compliance with Kansas Cash Basis Law

A cash basis violation is displayed on statement 1 in the amount of \$650,002.

However, encumbrances include \$593,133 unpaid portion of the taxi-way construction contract. Construction work for this unpaid portion of the construction contract was not completed as of December 31, 2010 and payments to the contractor were therefore not due as that date. The contract is an expenditure as defined by the Kansas cash basis law and thereby has been recognized as an encumbrance in these financial statements. Ninety-five percent Federal financial assistance funding from the Federal Aviation Administration will be received and applied to the above encumbrance amount. Federal regulations prohibit grant cash draw-downs until the construction activities have been performed.

Compliance with Kansas Depository Security Law

No violations.

Note 3 Detail Notes on All Funds and Account Groups

A. Assets:

General Fixed Assets

The accounting and reporting treatment used for property and equipment under the cash basis and budget laws of Kansas require that property and equipment be recorded as an expenditure during the year of purchase. Coffey County Airport maintains an internal list of property and equipment, and periodically inspects the equipment listed to verify its existence.

Coffey County Airport Authority
Burlington, Kansas
Notes to Financial Statements
For the Fiscal Year Ended December 31, 2010

B. Liabilities:

Vacation and Sick Leave Liability

At December 31, 2010, the maximum potential liability under the Airport Authority's vacation and sick leave policy is \$2,907 for sick leave pay and \$6,364 for vacation pay.

Note 4 Economic Dependency

The Wolf Creek Nuclear Power Plant resides within the boundaries of Coffey County, which is the area served by the Airport Authority. This power plant is run by a joint venture of several utility companies. The valuation of the power plant accounts for in excess of 83% of Coffey County's total assessed valuation. The tax appropriation which the Airport Authority receives from the County is levied on this assessed valuation.

Note 5 Federal Financial Assistance Expenditures

Taxi-way improvement expenditures per Statement 3	\$ 1,064,555
Less:	
County Match	(29,339)
Encumbrance amount (unperformed contract)	<u>(551,369)</u>
Federal Financial Assistance Expenditures (Grant activities performed)	<u><u>483,847</u></u>